

State of Alaska FY2009 Governor's Operating Budget

Department of Transportation/Public Facilities Administrative Services Results Delivery Unit Budget Summary

Administrative Services Results Delivery Unit

Contribution to Department's Mission

Provide administrative infrastructure to enable the department to meet its mission.

Core Services

- Centralized services in the areas of budget, finance, procurement, information technology standards and policies, cost allocation plans, collection of federal and other revenue, and web site development and maintenance.
- Development of department-wide policies and procedures.
- Oversight of the Highway Working Capital Fund.
- Liaison between the Department of Transportation & Public Facilities (DOT&PF) and the Department of Administration for financial, personnel, payroll, procurement, web page development, and information technology directives.
- Liaison with the Office of Management and Budget and the Legislature relating to budget issues.
- Essential information technologies supporting the department's mission.
- Procurement of commodities and services for Southeast Region, Alaska Marine Highway System, and Headquarters operations. Conduct commodity procurement activities that are of a statewide nature.

End Result	Strategies to Achieve End Result
<p>A: Increase efficiency of the department.</p> <p><u>Target #1:</u> Reduce the ratio of administrative overhead to total department costs by 3%.</p> <p><u>Measure #1:</u> Ratio of total administrative overhead funding as compared to total department costs.</p> <p><u>Target #2:</u> Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5.</p> <p><u>Measure #2:</u> Percent of respondents rating service, advice and knowledge transfer at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology, procurement/contracts, web develop</p>	<p>A1: Improve payment processing to contractors or vendors.</p> <p><u>Target #1:</u> Reduce the number of vendor payments that exceed 30 days by 5%.</p> <p><u>Measure #1:</u> The percentage change in the number of vendor payments that exceed 30 days from invoice date compared to previous year</p> <p><u>Target #2:</u> Reduce duplicate payments by 10%.</p> <p><u>Measure #2:</u> Percent change in number of duplicate payments compared to previous year.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • " Complete implementation of the new electronic timesheet program and reduction from 60 to 4 DOT&PF timesheets • Require all new supervisors to attend training. • " Provide guidance and improve dissemination of information to DOT personnel regarding centralized HR • " Automate as much of the AMHS dispatch process as possible 	<ul style="list-style-type: none"> • Analyze information technology processes within the department to better serve the agency • " Implement e-commerce capabilities for procuring commodities • " Implement a performance measurement status reporting system statewide • " Develop a user manual and provide training for the Mgmt Reporting System - project status reporting system

FY2009 Resources Allocated to Achieve Results

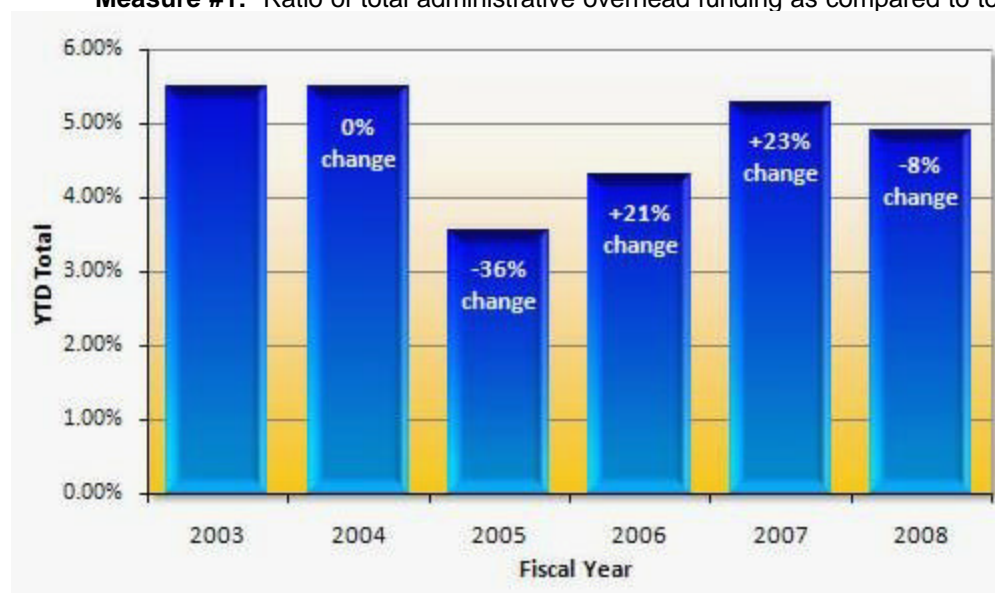
FY2009 Results Delivery Unit Budget: \$14,435,800

Personnel:

Full time	93
Part time	0
Total	93

Performance Measure Detail

A: Result - Increase efficiency of the department.

Target #1: Reduce the ratio of administrative overhead to total department costs by 3%.**Measure #1:** Ratio of total administrative overhead funding as compared to total department costs.

Analysis of results and challenges: The department annually prepares an Indirect Cost Allocation Plan (ICAP) according to state and federal guidelines, which is reviewed by internal auditors and approved by the Federal Highway Administration (FHWA). The ICAP develops a rate at which overhead and administrative costs are distributed to projects. These rates are developed by accumulating indirect costs into cost pools, and then dividing the total indirect costs allocated to the pool by total direct project costs. ICAP rates calculated for FY08 vary between 1% for harbor projects to 4.88% for highway projects. The federal highway project rate is used for year to year comparisons. FY08 rates are developed based on FY06 actual expenditure data.

The FY07 rate increased because construction activity decreased in the Federal Highway funded capital project program and employee benefit costs increased. Also, the 2007 plan year was impacted by the conversion of the Statewide Materials cost allocation plan to indirect, which shifted costs from direct to indirect. The 2008 reduced rate reflects a slight increase in the Federal Highway funded capital projects program.

General administrative activities contained in the indirect costs include such functions as payment processing, supervising employees, program oversight, budget development, liaison with the Legislature, etc. These are necessary functions of the department whether DOT&PF has direct oversight of a project or it is contracted. Typically project oversight is charged directly to a project and is not included in indirect costs.

The department will continue to review methods of reducing overhead costs. Developing technological solutions to cumbersome paper processes and eliminating unnecessary tasks are examples of how overhead costs can be reduced. Such a reduction will increase the amount of federal funds available for road and airport

construction.

Target #2: Increase to 80% the respondents (customers) that rate the quality of the division's service, advice and knowledge transfer at 4 or better on a scale of 1 to 5.

Measure #2: Percent of respondents rating service, advice and knowledge transfer at 4 or above on a scale of 1 to 5 in the areas that Administrative Services has purview over: budget, finance/accounting, and information technology, procurement/contracts, web develop

Percent of Satisfied Customers

Year	YTD
FY 2007	not available

Analysis of results and challenges: This measure will require the division to develop and circulate a survey to help determine whether our internal and external customers' expectations are being met in service (quality and response time), advice (explore solution) and knowledge transfer (communication and training). This increased awareness and interaction should lead to improved efficiencies in the areas of budget development and transfer of knowledge, financial reporting and solutions, vendor/customer payment timeliness, information systems interaction and result, procurement/contract advice, web development and management assistance and advice. Survey responses will provide manager's feedback that may identify problem areas, which if addressed may improve the efficiency of the department. We anticipate the survey will be done annually.

A1: Strategy - Improve payment processing to contractors or vendors.

Target #1: Reduce the number of vendor payments that exceed 30 days by 5%.

Measure #1: The percentage change in the number of vendor payments that exceed 30 days from invoice date compared to previous year

The number of vendor payments that exceed 30 days from invoice date

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD	% Change
FY 2004	7,948	7,414	6,873	6,115	28,350	
FY 2005	7,785	9,478	6,740	5,991	29,994	+6%
FY 2006	5,539	6,142	5,740	5,323	22,744	-24%
FY 2007	11,834	8,291	5,455	6,010	31,590	+28%

Analysis of results and challenges: AS 37.05.285 states, "Payment for purchases of goods or services provided a state agency shall be made by a required date that is 30 days after receipt of a proper billing for the amount of the payment due, if a date on which payment is due is not established by contract and if the billing contains or is accompanied by documents required by the contract or purchase order." The fiscal offices processed an average of 12,000 vendor payments per month during FY2007. The complexities of the invoices being processed vary from basic monthly maintenance contracts to construction related progress payments. The ability to make payments on contracts requires appropriate sign-offs by project engineers and managers indicating satisfactory completion of tasks. Additionally, invoices must be approved regarding adequate budgetary authority. Payment delays can be caused by the many hand-offs that occur, receiving approvals, mail time between offices, errors in the invoice, errors in account coding, and inadequate funding levels.

The Alaska Marine Highway System (AMHS) had a significant budget shortfall in the 2006 budget and was unable to pay its vendors. The impact of this shortfall resulted in delayed payments during the first and second quarter of 2007 as AMHS management worked on strategies to meet its obligations.

Target #2: Reduce duplicate payments by 10%.

Measure #2: Percent change in number of duplicate payments compared to previous year.

Duplicate Payments

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD	% change
FY 2005	54	36	54	36	180	
FY 2006	54	41	56	33	184	+2%
FY 2007	46	34	22	30	132	-28%

Analysis of results and challenges: Duplicate payments require a great deal of department resources for monitoring, payment collection, and even legal actions to recover reimbursements. Activities to avoid future duplicate payments include throwing away duplicate copies of invoices when received in the mail, keeping payments current so that vendors don't send duplicate invoices as a method of requesting payment, monitoring erred documents to ensure that payments don't wait for funding, and checking to see if an invoice is already paid before making payment.

Duplicate payments decreased by 28% in 2007. We continue to try to be as error free as possible.

Key RDU Challenges

The division will continue to analyze services it provides in an effort to find the most efficient and effective methods of service delivery. Areas currently under review, or in initial stages of implementation include: improved financial monitoring of capital projects, Federal Highway Administration's (FHWA's) newly revised financial system (FMIS 4.0) and FHWA's new payment system—Rapid Approval and State Payment System (RASPS), implementing personnel directives, e-commerce capabilities for commodity procurements, implementing Enterprise Technology Services (ETS) directives, and a performance measurement status reporting system.

Federal agencies have increased the financial oversight of state DOT's. The Financial Integrity Review and Evaluation program started by FHWA last year requires annual certification of internal and financial controls in all aspects of our surface transportation program. The Federal Aviation Administration (FAA) has again increased emphasis on audit and financial oversight of airport sponsors to detect and prevent diversion of airport revenues to non-airport purposes.

The Third Party Billing System (TPBS) was created over 20 years ago to handle all the billings to federal granting agencies. The program is created in a language that is rarely used now and for which few staff are qualified to work with. Adjustments must be made continuously to accommodate federal regulatory changes or differing funding sources (Federal Transit, National Highway Safety Administration, etc.). Analysis of other available systems will be undertaken to determine if replacement or upgrade efforts will be cost beneficial.

We will continue to provide guidance to DOT&PF personnel regarding centralized Human Resources, assisting in implementation of personnel directives, coordinating and training staff statewide, promoting and assisting recruitment for the department, and fielding questions and concerns from employees.

The department faces challenges as we aggressively pursue new on-line technology to enhance programmatic efficiencies. With the new on-line technology, called BuySpeed, it is anticipated that processing response time will be reduced and the gathering and reporting of information will be improved. In FY08, the department faces the challenge of training users in all regions, including the International Airports and the AMHS. Further efficiencies and cost savings are anticipated with this system.

The State and those entities and individuals it does business with continue to be more technologically reliant. The whole technology industry is changing so rapidly that opportunities for efficiency in the way we do business continue to increase. With the advent of e-commerce and reliance on the web to provide services and information, a greater reliance is placed upon the Information Systems staff to keep up. The amount of work is enormous and the resources are limited. Priorities must be set and some of the department's technological needs will not be met. Hiring, training and employee retention are key to providing adequate services on a continuing basis.

Significant Changes in Results to be Delivered in FY2009

No significant changes are anticipated.

Major RDU Accomplishments in 2007

- Completed the Indirect Cost Allocation Plan and received FHWA approval of the plan.
- Completed implementation of the State Travel Office within the department.
- Up time of production computer services was 99%, resulting in the positive integrity and reliability of services, especially in web based services.
- Provided various assistance required for usability enhancements and technical upgrades for the Management Reporting System (MRS).
- Provided technical and programming support for the electronic timesheet system (TEARS), a collaborative effort with the Department of Fish and Game. Over 200 DOT&PF users in Juneau, Ketchikan, Anchorage and Fairbanks were brought into production status in 2007.
- Migrated over 2,300 personnel to the new Microsoft Exchange Email and Calendar System.
- Implemented a departmental pilot for the Microsoft Active Directory that will eventually become part of the new ETS statewide Active Directory project.
- Implemented the new document management system in Anchorage, Fairbanks and Juneau – all three sites became operational.
- Implemented the LanDesk Suite to enhance the productivity of computer support personnel. This will enable support technicians to remotely perform many functions that would have previously required expensive time and travel.
- Updated a collaborative brochure and website promotion to assist in recruiting engineers for department positions. Assisted recruitment efforts by building a departmental Job Opportunities web site and created a “general” recruitment brochure to reach a wider job-seeking audience
- Managed a successful employee appreciation project: 2007 Calendar Photo Contest. Built and launched contest site, created and published calendar.
- Reorganized the Statewide and Southeast Procurement Section after the state’s pilot procurement program contract expired on June 30, 2006. There was no lapse in services and no negative effect on maintaining public transportation services.

Contact Information

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**Administrative Services
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2007 Actuals				FY2008 Management Plan				FY2009 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
Statewide Admin Services	2,605.0	0.0	3,511.7	6,116.7	2,543.2	0.0	3,656.4	6,199.6	989.7	0.0	3,696.9	4,686.6
Statewide Information Systems	1,256.0	0.0	1,625.8	2,881.8	1,275.5	0.0	1,703.0	2,978.5	1,771.0	0.0	1,716.1	3,487.1
Leased Facilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,972.1	0.0	351.0	2,323.1
Human Resources	1,217.3	0.0	1,620.6	2,837.9	1,206.3	0.0	1,457.6	2,663.9	1,206.3	0.0	1,457.6	2,663.9
Statewide Procurement	0.0	0.0	0.0	0.0	497.0	0.0	736.3	1,233.3	535.4	0.0	739.7	1,275.1
Totals	5,078.3	0.0	6,758.1	11,836.4	5,522.0	0.0	7,553.3	13,075.3	6,474.5	0.0	7,961.3	14,435.8

Administrative Services
Summary of RDU Budget Changes by Component
From FY2008 Management Plan to FY2009 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	5,522.0	0.0	7,553.3	13,075.3
Adjustments which will continue current level of service:				
-Statewide Admin Services	-1,553.5	0.0	40.5	-1,513.0
-Statewide Information Systems	185.5	0.0	13.1	198.6
-Leased Facilities	1,958.8	0.0	304.1	2,262.9
-Statewide Procurement	38.4	0.0	3.4	41.8
Proposed budget increases:				
-Statewide Information Systems	310.0	0.0	0.0	310.0
-Leased Facilities	13.3	0.0	46.9	60.2
FY2009 Governor	6,474.5	0.0	7,961.3	14,435.8